

STATE OF TENNESSEE



David H. Lillard, Jr.  
STATE TREASURER

**TREASURY DEPARTMENT**

STATE CAPITOL  
NASHVILLE, TENNESSEE 37243-0225

November 22, 2010

Re: IMPORTANT Information about the BEST Prepaid Plan

Dear BEST Customer,

We are proud that the Baccalaureate Education System Trust (BEST) Prepaid Plan has been helping families save for college since its inception in 1997. We are also grateful that you've chosen the BEST Prepaid Plan to save for your child's college expenses.

Because you are a participant in the Baccalaureate Education System Trust (BEST) Prepaid Plan, this letter is to advise you of action taken by the BEST Board of Trustees. Today, the board voted to stop selling new tuition units in the prepaid plan. This action is effective immediately for payments made by check, rollovers into the prepaid plan and automatic bank account withdrawals. Additionally, payroll deductions for the November 30, 2010 payroll period will be the last payroll deductions accepted by the program. No action is required by you to stop your automatic bank account withdrawal or payroll deduction. Our program will terminate all automatic transactions and will contact payroll officers for the State of Tennessee and businesses that send payroll deductions to our program. Checks and rollovers with a postmark after today, November 22, 2010, will be returned to the sender.

The action of the board only affects you if you are currently purchasing units in the plan or if you planned to purchase units in the future as part of your college savings goals. This change does not affect the status of the tuition units you have already purchased.

As you are aware, the units that you have held with the plan appreciate in value based on the weighted average tuition increases at Tennessee's four-year public colleges. If you have been part of the plan since its inception, you have realized an average annual return in value of more than 9 percent. At September 30, 2010, approximately 9,000 participants held more than 1.47 million units in the plan with a payout value of \$96.2 million based on the current weighted average tuition. At September 30, 2010, the prepaid plan's total assets were \$99.7 million.

The prepaid plan was established to be a self-supporting plan. In other words, it was expected that investment income earned on the units you and other participants purchased would equal or outpace the annual increases in tuition rates. Unfortunately, that has not been the case. Weak investment markets and fast-rising college costs have

put tremendous financial pressure on the prepaid plan. As a result, the General Assembly has previously infused approximately \$41 million to keep the plan financially solvent. Because the plan could place an additional financial burden on the state's taxpayers, the BEST board determined that the optimal course of action was to limit the plan's liabilities by stopping the sale of additional tuition units.

Although you will no longer be able to purchase units in the prepaid plan, you may want to consider placing future contributions to college savings in the Path2College 529 Plan as an alternative to meet your college savings goals. Our office promotes the Path2College 529 Plan through a partnership with the State of Georgia. The Path2College 529 Plan offers seven investment options and the annual asset-based fees are less than one percent. Please visit the program web site at [www.path2College529.com](http://www.path2College529.com) for more information.

As an added incentive for you to consider the Path2College 529 Plan, our office will offer a program that matches contributions to the plan. This program, called Tennessee Cash4College, will match up to \$50 worth of contributions made to accounts during the qualifying period, which is January 1, 2011 through May 31, 2011. These matching funds are available to both new and existing account holders during that period. This means that if you open a Path2College 529 account and contribute \$50 within the qualifying period, or if you have an existing Path2College 529 Plan account and you contribute \$50 during the qualifying period, the Tennessee Cash4College program will match the \$50 contribution. A limited amount of funding is available for this program, so the matching funds will be distributed on a first-come, first-served basis. More information regarding the Tennessee Cash4College 529 Plan will be sent to you in the near future.

Please feel free to contact a customer service representative toll free at 888 486-2378 or 615 532-8056, Monday- Friday 8:00 a.m. – 4:30 p.m. Central Time if you have questions, or if additional information is needed. You may also e-mail our office at [BEST.Office@tn.gov](mailto:BEST.Office@tn.gov) or visit the program website at [www.tnbest.org](http://www.tnbest.org). State offices will be closed Thursday and Friday, November 25-26, 2010 in observance of the Thanksgiving holiday. Our customer service representatives look forward to serving you on Monday, November 30 beginning at 8:00 a.m. We look forward to talking with you to address any questions or concerns you may have about this information. Again, I sincerely appreciate your participation in and support of the BEST Prepaid program.

Sincerely yours,

A handwritten signature in black ink, appearing to read "David H. Lillard, Jr.", written in a cursive style.

David H. Lillard, Jr.  
Tennessee State Treasurer